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SUBJECT: DRC MINING EXTRACTS, #3

REF: A. KINSHASA 387
[1](#)B. KINSHASA 178

[1](#)1. (U) Summary. The DRC's Minister of Mines ordered the suspension of negotiations on new mining agreements. The Canadian CEO of Gecamines, the DRC's copper/cobalt mining parastatal, was briefly suspended. Canadian company First Quantum claims millions of USD in losses as a result of the Katanga Governor's suspension of the export of unprocessed ore. Several miners and guards died on the concession of MIBA, DRC's diamond mining parastatal, and MIBA's foreign shareholders are discussing plans for the parastatal's restructuring. The Governments of Rwanda and DRC have signed a Memorandum of Understanding to monitor and potentially exploit methane gas from Lake Kivu. End summary.

MINING LICENSES

[1](#)2. (U) The Minister of Mines, Martin Kabwelulu, ordered on March 27 that all state and parastatal managers suspend negotiations on new mining contracts, pending a review of existing agreements. All partnership agreements concluded in breach of this order are void, and violators will face unspecified sanctions. Further, Kabwelulu required that documentation regarding all existing mining agreements be filed with his office by April 4. According to a Ministry of Mines counselor, the GDRC is setting up a contract review commission that will include representatives from the Ministry, the Presidency and the Parliament, with a July work deadline.

COPPER/COBALT

[1](#)3. (U) In early March, SOFRECO, a French consulting firm, briefly suspended Canadian Paul Fortin, CEO of Gecamines (DRC's copper/cobalt mining parastatal). Fortin, who has held the position since January 2006, was reinstated after government officials, including Katanga Governor Moise Katumbi, objected to the removal. Gecamines' workers went on strike to protest Fortin's removal. SOFRECO is under contract with COPIREP, the DRC agency responsible for parastatal reform, to help reform Gecamines.

[1](#)4. (SBU) The managing director of Canadian First Quantum/Comisa's DRC operations told EconOffs the company restarted operations on April 3 at its plant on the DRC-Zambian border in Katanga province, after posting a USD 325,000 bond. FQ estimates it lost USD 9 million in profits during the month-long export suspension that Governor Katumbi ordered and that the GDRC lost USD 2.7 million in tax revenue (reftel A).

¶15. (U) Following a tender offer, Gecamines awarded rights to the disputed Kipushi zinc/copper mine to a foreign company, United Resources. Gecamines will hold a 37 percent interest in the joint-venture project. First Quantum and South African company Exxaro (formerly known as Kumba Resources) have sued Gecamines in Belgium court over their alleged right to the Kipushi concession.

¶16. (U) The criminal case in Katanga province involving Anvil Mining (reftel B) remains stalled in the preliminary trial stage, following replacement of the prosecutor several weeks ago.

DIAMONDS

¶17. (U) Several diamond diggers died in an April 3 night-time mine collapse on the Eastern Kasai concession of MIBA, DRC's diamond mining parastatal. April 4, local media reported that illegal diamond diggers on MIBA's concession shot MIBA guards on patrol, killing three and wounding two.

¶18. (U) London AIM-listed company Mwana Africa (a twenty percent owner of MIBA) has begun formal discussions with MIBA's management to restructure the parastatal, according to international trade press and the Ministry of Mines' Kimberley Process Counselor. MIBA's production continues the decline begun in 2006. It has produced only about 100,000 carats since thus far in 2007, according to the Ministry of Mines.

GOLD

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¶19. (U) Prior to the Mines Minister's suspension of contract negotiations, the DRC's Mining Register awarded fourteen exploration permits to Banro Congo Mining, a subsidiary of Canadian Banro Corporation. The permits cover sites in Maniema and South Kivu provinces. Banro already has mining rights to three other concessions in the DRC, although it has not started any mining operations.

¶10. (U) The dispute between Canadian Moto Goldmines and OKIMO over their joint venture in Orientale province remains unresolved. Moto recently launched an appeal to various diplomatic missions in Kinshasa for support. Its Managing Director told EconOff if the company were unable to resolve the matter through these efforts, it would likely resort to litigation.

METHANE GAS

¶11. (U) The GDRC and Government of Rwanda formalized their intention to begin exploiting methane gas from Lake Kivu in a March 28 Memorandum of Understanding (MOU). The DRC's Minister of Hydrocarbons and the GOR's Minister of Energy and Communications signed the MOU, which calls for the countries to study the lake's methane gas and develop financing mechanisms for the studies. The MOU is valid for 24 months.
MEECE